

WESTERN DEPARTMENT STORES

REPORT to STOCKHOLDERS

January 31, 1956

Stores operated:

OLDS & KING

Portland
Est. 1851

KAHN'S

Oakland
Est. 1879

RHODES

Tacoma
Est. 1892

RHODES

Sacramento
Est. 1954

WESTERN DEPARTMENT STORES

A California Corporation

Incorporated in 1937

BOARD OF DIRECTORS

HAROLD V. BOGGS	JOHN J. GOLDBERG
R. L. CHILDS	ELLIOTT McALLISTER
HERBERT E. CLAYBURGH	JOHN J. REILLY
HERBERT I. DUNN	JOHN J. REILLY, JR.
F. A. WICKETT	

OFFICERS

JOHN J. REILLY	<i>President</i>
JOHN J. REILLY, JR.	<i>Executive Vice-President</i>
HERBERT E. CLAYBURGH	<i>Vice-President</i>
HAROLD V. BOGGS	<i>Vice-President and Manager of Kahn's</i>
A. K. HUMBLE	<i>Vice-President and Manager of Rhodes</i>
R. L. CHILDS	<i>Secretary and Treasurer</i>
JOHN J. GOLDBERG	<i>Assistant Secretary</i>
L. L. RUSCH	<i>Assistant Secretary</i>
C. A. JOHNSTON	<i>Assistant Secretary</i>

LEGAL COUNSEL

STEINHART, GOLDBERG, FEIGENBAUM & LADAR

PUBLIC ACCOUNTANTS

PRICE WATERHOUSE & Co.

TRANSFER AGENT

CROCKER-ANGLO NATIONAL BANK

No. 1 Sansome Street

San Francisco 20, California

REGISTRAR

WELLS FARGO BANK

Montgomery and Market Streets

San Francisco 4, California

Annual Stockholders' Meeting . . Oakland, California, Tuesday, April 24, 1956, 11:00 o'clock A.M.
Executive Offices 1501 Broadway, Oakland, California (Kahn's)

OAKLAND 12, CALIFORNIA
April 2, 1956

To the Stockholders of
WESTERN DEPARTMENT STORES:

Submitted herewith are financial statements of your corporation for the fiscal year ending January 31, 1956, examined and reported upon by our accountants, Price Waterhouse & Co. These statements reflect the operation by the corporation of its four department stores: Kahn's, Oakland, California; Olds & King, Portland, Oregon; Rhodes, Tacoma, Washington; and Rhodes, Sacramento, California.

Sales for the year were \$34,797,385 compared with \$31,858,117 in the previous year, an increase of 9.2%.

Net income was \$1,193,829, equal to \$1.71 per share, compared with net income of \$1,091,369, equal to \$1.59 per share in the previous year.

Merchandise inventories on January 31, 1956, including goods in transit, were \$4,880,709 compared with \$4,663,827 on January 31, 1955.

Working capital of the corporation at the end of the year was \$10,167,763 compared with \$7,822,006 at the end of the previous year. The ratio of current assets to current liabilities was 3.61 to 1, compared with 3.12 to 1 the previous year.

Customers Accounts Receivable at the end of the year were \$7,383,001 compared with \$5,748,886 at the end of the previous year.

The corporation continued quarterly dividends at the rate of 20¢ per share. On December 23, 1955 an extra dividend of 10¢ was paid and 20¢ was paid April 2, 1956.

The corporation's contributions for the past year to the Profit Sharing Plan and to health and welfare plans totaled \$139,903, compared with \$129,253 for the previous year. At January 31, 1956 there were 1013 employees participating in the Plan, which is 97% of the total number of employees eligible to participate.

During the past year long-term leases were entered into providing for construction of department stores in the suburban areas of Portland, Oregon and Tacoma, Washington. It is expected that these stores will open for business about November 1st of this year. There is a sketch and information concerning these stores on the last page of this report.

The full amount of \$2,000,000 has been borrowed on a term basis under previous arrangement with a bank. Arrangements have also been made with a bank for an additional term loan of \$1,500,000 for the purpose of financing improvements, fixtures and merchandise investment for the new stores. The latter amount will be borrowed prior to January 31, 1957.

Our appreciation is expressed to all of the customers and employees of your corporation for their support during the past year.

Notice of Annual Meeting of Stockholders and form of Proxy are enclosed. We hope you will attend; however, if you cannot be present, we will appreciate your completing and forwarding your proxy.

For the Board of Directors
JOHN J. REILLY, *President*

WESTERN DEPAR

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BALANCE

(See accompanying notes

ASSETS

	January 31	
	1956	1955
Current Assets:		
Cash in banks and on hand.....	\$ 1,982,180	\$ 1,227,378
Accounts receivable:		
Customers, less provision for doubtful accounts—1956, \$244,955;		
1955, \$202,939	\$ 7,138,046	\$ 5,545,947
Sundry	59,745	78,799
	<u>\$ 7,197,791</u>	<u>\$ 5,624,746</u>
Inventories of merchandise:		
On hand, at or below cost, as determined by the retail inventory		
method	\$ 4,410,396	\$ 4,289,585
In transit, at cost.....	470,313	374,242
	<u>\$ 4,880,709</u>	<u>\$ 4,663,827</u>
Total current assets.....	<u>\$14,060,680</u>	<u>\$11,515,951</u>
Miscellaneous Investments, Deposits and Advances:		
Store repairs and improvements, recoverable from lessor.....	\$ 94,792	\$ 113,375
Investments (at cost), deposits and other receivables.....	170,535	88,270
	<u>\$ 265,327</u>	<u>\$ 201,645</u>
Properties, at cost:		
Buildings, furniture and fixtures, etc.....	\$ 2,954,725	\$ 2,766,379
Leasehold and improvements to leased buildings.....	3,671,006	3,634,889
	<u>\$ 6,625,731</u>	<u>\$ 6,401,268</u>
Less—Accumulated depreciation and amortization.....	3,153,258	2,779,976
	<u>\$ 3,472,473</u>	<u>\$ 3,621,292</u>
Land	51,500	51,500
	<u>\$ 3,523,973</u>	<u>\$ 3,672,792</u>
Unexpired Insurance, Prepaid Taxes and Other Deferred Expenses.....	<u>\$ 236,303</u>	<u>\$ 219,702</u>
	<u><u>\$18,086,283</u></u>	<u><u>\$15,610,090</u></u>

MENT STORES

(Corporation)

E SHEET

(to financial statements)

LIABILITIES

January 31

1956

1955

Current Liabilities:

Accounts payable	\$ 1,927,480	\$ 1,628,359
Payrolls, taxes and other accrued liabilities	743,649	662,065
Federal taxes on income, estimated	1,221,788	1,203,521
Note payable to bank—instalment due within one year	200,000

Total current liabilities	\$ 3,892,917	\$ 3,693,945
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Note Payable to Bank (Instalments due after one year) (Note 1)	\$ 2,000,000	\$ 400,000
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Employees' Subscriptions to Five Year Convertible Notes (Note 2)	\$ 7,540	\$ 38,245
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Capital and Surplus:

Common stock, par value \$.25 per share:

Shares authorized	1,200,000		
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Shares issued	702,728	\$ 175,682	\$ 175,682
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Less—In treasury	4,100		
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698,628

Other capital (Note 2)	1,985,090	1,850,390
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Earned surplus, per accompanying statement (Note 1)	10,025,054	9,451,828
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	\$12,185,826	\$11,477,900
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\$18,086,283

\$15,610,090

WESTERN DEPARTMENT STORES
STATEMENT OF INCOME AND EARNED SURPLUS

	Year ended January 31	
	1956	1955
Net sales, including leased departments.....	\$34,797,385	\$31,858,117
Less—Sales of leased departments.....	5,974,206	5,571,966
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Cost of merchandise sold.....	\$28,823,179	\$26,286,151
	18,394,055	16,856,580
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Gross profit—own departments.....	\$10,429,124	\$ 9,429,571
Gross income from leased departments.....	784,930	741,442
Other income and credits.....	413,554	298,463
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	\$11,627,608	\$10,469,476
	<hr/>	<hr/>
Selling, general and administrative expenses.....	\$ 8,588,976	\$ 7,778,221
Contributions under profit-sharing and health and welfare plans.....	139,903	129,253
Provision for depreciation and amortization.....	378,872	267,724
Interest expense	26,028	22,209
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	\$ 9,133,779	\$ 8,197,407
	<hr/>	<hr/>
	\$ 2,493,829	\$ 2,272,069
Provision for estimated federal taxes on income.....	1,300,000	1,180,700
	<hr/>	<hr/>
Net income for year.....	\$ 1,193,829	\$ 1,091,369
Earned surplus at beginning of year.....	9,451,828	8,909,243
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	\$10,645,657	\$10,000,612
Dividends paid in cash—1956, \$.90 per share; 1955, \$.80 per share....	620,603	548,784
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Earned surplus at end of year (Note 1).....	\$10,025,054	\$ 9,451,828
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WESTERN DEPARTMENT STORES

NOTES TO FINANCIAL STATEMENTS

January 31 1956

NOTE 1:

The note is payable in annual instalments of \$200,000 commencing April 1 1957, with the balance payable on April 1 1963. The loan agreement provides that, without the prior written consent of the bank, the Company will not declare or pay any dividends except from earnings subsequent to January 31 1953. The undistributed earned surplus since that date amounted to \$1,666,336. The Company has also agreed that during the term of the loan it will not permit its net current assets to decline below \$6,000,000 or its ratio of current assets to current liabilities to be less than two to one.

NOTE 2:

Employee subscriptions to Five Year Convertible Notes represent collections under 1952 subscription agreements to notes of a face value of \$17,000, maturing December 1 1957. The agreements provide that the purchase price shall be paid over a five-year period and that the notes may, on or before maturity, be converted into common stock in the ratio of 10 shares of stock for each \$100 face value of notes. During the year, 4,600 shares of treasury stock were issued upon conversion of notes having a face value of \$47,800; this amount was added to Other Capital.

As authorized by the Board of Directors, 7,900 shares of treasury stock were sold to 15 employees at \$11 per share, payable over a five-year period with interest at 3% per annum on the unpaid balance. The proceeds from these sales, \$86,900, were added to Other Capital.

NOTE 3:

Leases for three of the stores provide for rentals computed as a percentage of sales, subject to a minimum annual rent; two of the leases expire in 1975 and the third in 1985. The lease for the fourth store, expiring in 1972, provides for a fixed monthly rental plus real estate taxes in excess of a specified amount until 1957 and thereafter percentage rentals, subject to a minimum annual amount. The minimum annual rental obligation under these leases and the total amount of rent and other charges paid thereunder for the year ended January 31 1956 were \$639,700 and \$991,037 respectively. The Company has entered into leases at two other locations which will become effective when the construction of buildings and other portions of shopping centers is completed.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of

WESTERN DEPARTMENT STORES:

In our opinion, the accompanying financial statements, together with the notes thereto, present fairly the financial position of Western Department Stores at January 31 1956 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of such statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & Co.

San Francisco
March 20 1956



**OLDS
and
KING**

• GATEWAY



RHODES

• VILLA PLAZA

2

NEW WESTERN DEPARTMENT STORES

OLDS and KING, now under construction in the heart of the bustling new Gateway shopping center, Portland, Oregon. The grand opening is planned for the fall of 1956.

RHODES, now under construction and scheduled for a November 1956 opening, is located in the rapidly expanding Lakewood suburban district, in Tacoma, Washington.

WESTERN DEPARTMENT STORES